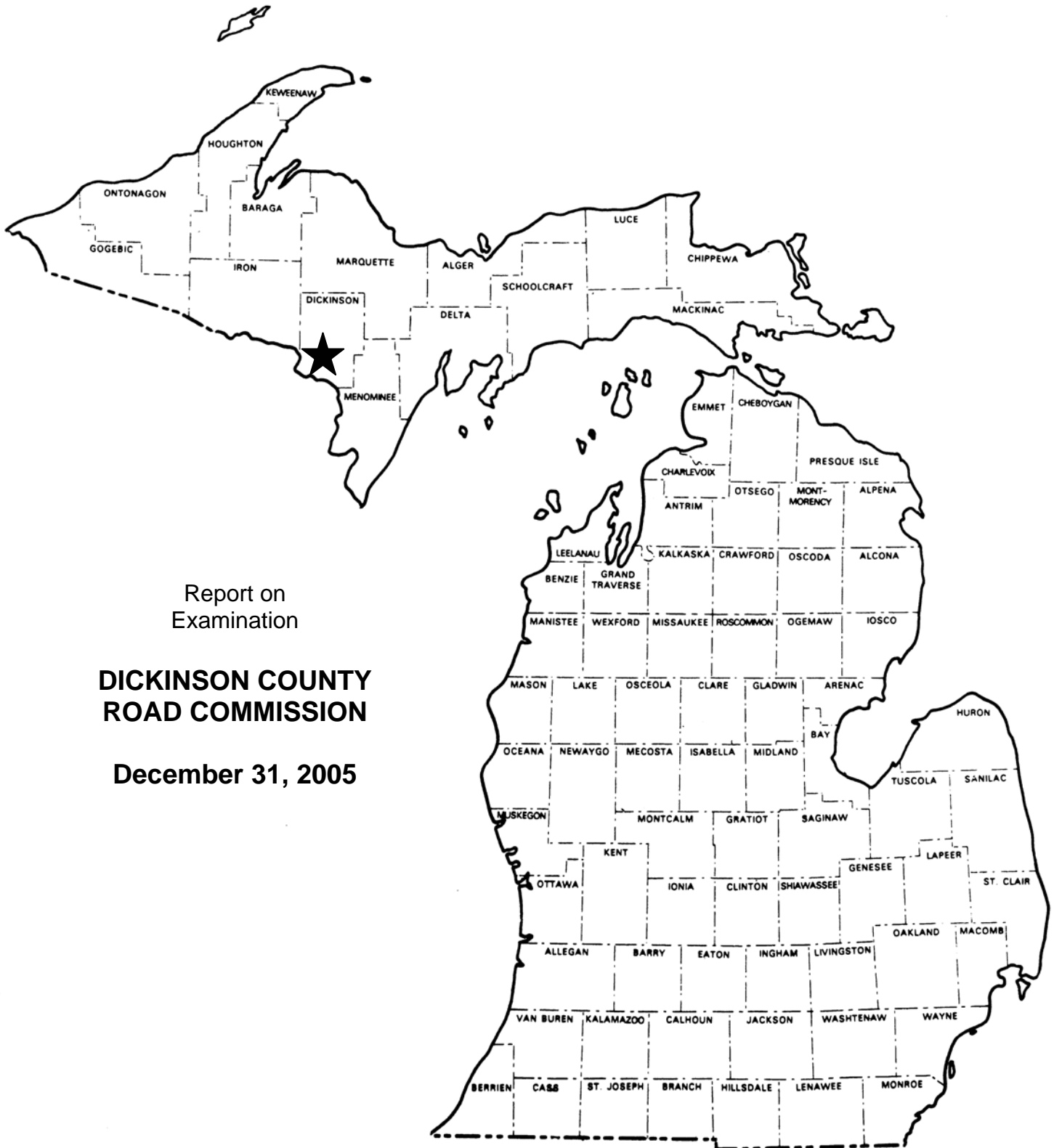


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**DICKINSON COUNTY
ROAD COMMISSION**

December 31, 2005

DICKINSON COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

James G. Harris
Chairperson

Ron Milbrath
Vice Chairperson

Charles Erickson
Member

Tim Hammill
Managing Director

Sandra Lindholm
Director of Finance

Dave Pajula
Engineer

COUNTY POPULATION--2000
27,472

STATE EQUALIZED VALUATION--2005
\$933,981,050



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

June 14, 2006

Dickinson County Road Commission
Board of County Road Commissioners
1107 South Milwaukee Avenue
P.O. Box 519
Iron Mountain, Michigan 49801

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Dickinson County Road Commission, a component unit of Dickinson County, Michigan, as of and for the year ended December 31, 2005, as listed in the Table of Contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dickinson County Road Commission as of December 31, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 14, 2006 on our consideration of the Road Commission's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is

an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 8 and the budget comparison information in Exhibits G and H are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board and accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Dickinson County Road Commission, taken as a whole. The accompanying supplemental and related information in Exhibits I through K are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

DICKINSON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Dickinson County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the fiscal year ended December 31, 2005. This discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Road Commission's financial activity; c) identify changes in the Road Commission's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of the Road Commission's finances. The two government-wide statements report the Road Commission's net assets and how they have changed.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

Reporting the Road Commission as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The two statements mentioned above report the Road Commission's net assets and changes in them. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases and decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

Report of the Road Commission's Major Fund

The fund financial statements begin on page 11 and provide detailed information about the major fund. The Road Commission currently has only one fund, the General Operations Fund, in which all of the Road Commission's activities are accounted. The General Operations Fund is a governmental type fund.

- Governmental Fund--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

The Road Commission as a Whole

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets-net or related debt) are considered restricted.

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Net assets as of the year ended December 31, 2005, as follows:

	12/31/04 Governmental Activities	12/31/05 Governmental Activities	Variance
Current and Other Assets	\$ 1,102,644	\$ 933,410	\$ (169,234)
Net Capital Assets	<u>29,302,852</u>	<u>29,575,860</u>	<u>273,008</u>
Total Assets	<u>30,405,496</u>	<u>30,509,270</u>	<u>103,774</u>
Current Liabilities	164,132	298,303	134,171
Long-Term Liabilities	<u>1,496,203</u>	<u>1,095,903</u>	<u>(400,300)</u>
Total Liabilities	<u>1,660,335</u>	<u>1,394,206</u>	<u>(266,129)</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	28,299,847	28,940,988	641,141
Restricted	<u>445,314</u>	<u>174,076</u>	<u>(271,238)</u>
Total Net Assets	<u><u>\$28,745,161</u></u>	<u><u>\$ 29,115,064</u></u>	<u><u>\$ 369,903</u></u>

The net assets increased by \$369,903 from the prior year. The invested in capital assets-net of related debt increased by \$641,141 and the restricted net assets decreased by \$271,238.

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of changes in net assets for the year ended December 31, 2005, as follows:

	<u>2004</u>	<u>2005</u>	<u>Difference</u>	<u>Percent</u>
Program Revenue				
Federal Grants	\$ 546,356	\$ 353,663	\$ (192,693)	-35.27%
State Grants	3,631,475	3,028,675	(602,800)	-16.60%
Contributions From Local Units	427,165	216,014	(211,151)	-49.43%
Charges for Services	717,111	733,000	15,889	2.22%
Investment Earnings	12,333	7,060	(5,273)	-42.76%
General Revenue				
Gain on Equipment Disposal	<u>1,690</u>	<u>103,778</u>	<u>102,088</u>	<u>6040.71%</u>
Total Revenue	<u>5,336,130</u>	<u>4,442,190</u>	<u>(893,940)</u>	<u>-20.12%</u>
Expenses				
Primary Road				
Routine and Preventive Maintenance	721,931	938,002	216,071	29.93%
Local Road				
Routine and Preventive Maintenance	1,020,749	818,589	(202,160)	-19.81%
State Trunkline Maintenance	590,041	518,256	(71,785)	-12.17%
Non-Motorized Trail	3,363		(3,363)	-100.00%
Private Driveway Plowing	8,709	3,748	(4,961)	-56.96%
Net Equipment Expense	(37,280)	19,650	56,930	-152.71%
Net Administrative Expense	309,086	306,711	(2,375)	-0.77%
Infrastructure Depreciation	1,447,659	1,436,067	(11,592)	-0.80%
Compensated Absences	2,942	(6,692)	(9,634)	-327.46%
Interest Expense	<u>54,765</u>	<u>37,956</u>	<u>(16,809)</u>	<u>-30.69%</u>
Total Expenses	<u>4,121,965</u>	<u>4,072,287</u>	<u>(49,678)</u>	<u>-1.21%</u>
Increase in Net Assets	<u>\$ 1,214,165</u>	<u>\$ 369,903</u>	<u>\$ (844,262)</u>	<u>-69.53%</u>

The Road Commission's Fund

The Road Commission's General Operations Fund is used to control the expenditures of Michigan Transportation Fund (MTF) monies, distributed to the county, which are earmarked by law for road and highway purposes. For the year ended December 31, 2005, the fund balance of the General Operations Fund decreased \$277,929 as compared to a decrease of \$175,202 in the fund balance for the year ended December 31, 2004. Total operating revenues were \$4,442,190, a decrease of \$893,940 as compared to last year. This change in revenues resulted primarily from an increase of MTF's of \$154,691 as well as a decrease in township contributions of \$211,151, and Federal and State grants of \$554,999. Total expenditures were \$4,728,119, a decrease of \$838,188 as compared to last year. This change in expenditures is due primarily to a decrease in primary and local preservation of \$450,161, and a decrease in local structures preservation of \$521,564.

DICKINSON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of changes in the Operating Fund, as follows:

	12/31/04 Operating Fund	12/31/05 Operating Fund	Favorable (Unfavorable) Variance	Variance %
Revenues				
Federal Aid	\$ 546,356	\$ 353,663	\$ (192,693)	-35.27%
State Aid	3,631,475	3,028,675	(602,800)	-16.60%
Contributions From Local Units	427,165	216,014	(211,151)	-49.43%
Charges for Services	676,051	524,088	(151,963)	-22.48%
Interest and Rents	12,333	7,060	(5,273)	-42.76%
Other Revenue	42,750	312,690	269,940	631.44%
Total Revenues	<u>5,336,130</u>	<u>4,442,190</u>	<u>(893,940)</u>	<u>-16.75%</u>
Expenditures				
Public Works	5,011,201	4,264,724	(746,477)	-14.90%
Capital Outlay	82,220	49,307	(32,913)	-40.03%
Debt Service	472,886	414,088	(58,798)	-12.43%
Total Expenditures	<u>5,566,307</u>	<u>4,728,119</u>	<u>(838,188)</u>	<u>-15.06%</u>
Excess of Revenues Over (Under) Expenditures	<u>(230,177)</u>	<u>(285,929)</u>	<u>(55,752)</u>	<u>24.22%</u>
Other Financing Sources				
Proceeds From Lease Purchase	<u>54,975</u>	<u>8,000</u>	<u>(46,975)</u>	<u>-85.45%</u>
Total Other Financing Sources	<u>54,975</u>	<u>8,000</u>	<u>(46,975)</u>	<u>-85.45%</u>
Excess of Revenues and Other Financing Sources Over Expenditures	<u>(175,202)</u>	<u>(277,929)</u>	<u>(102,727)</u>	<u>58.63%</u>
Fund Balance--Beginning of Year	<u>955,235</u>	<u>780,033</u>	<u>(175,202)</u>	<u>-18.34%</u>
Fund Balance--End of Year	<u>\$ 780,033</u>	<u>\$ 502,104</u>	<u>\$ (277,929)</u>	<u>-35.63%</u>

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission's Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The original revenue budget for 2005 was \$5,140,236, which was \$690,057 more than the final amended budget revenue received for the year. This was due, in large part, to the Road Commission receiving less funds from certain Federal aid projects during the year than originally planned.

The Road Commission's original expenditures were projected at \$5,601,142, which was \$872,873 more than the final amended budget expenditures. This was primarily due to the Road Commission having three federal aid projects and two local projects removed from the 2005 budget.

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

As of December 31, 2005, the Road Commission had \$29,575,860 invested in net capital assets, as follows:

	<u>12/31/04</u>	<u>12/31/05</u>	<u>Total Percentage Change</u>
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 205,915	\$ 205,915	0.00%
Infrastructure--Land and Improvements	<u>10,944,484</u>	<u>11,676,525</u>	<u>6.69%</u>
Subtotal	<u>11,150,399</u>	<u>11,882,440</u>	<u>6.57%</u>
Capital Assets Being Depreciated			
Buildings	1,499,423	1,499,423	0.00%
Road Equipment	5,433,434	5,382,478	-0.94%
Shop Equipment	169,620	169,620	0.00%
Office Equipment	76,589	74,035	-3.33%
Engineer's Equipment	53,347	55,092	3.27%
Infrastructure--Bridges	3,071,367	3,071,447	0.00%
Infrastructure--Roads	<u>30,040,495</u>	<u>31,279,735</u>	<u>3.96%</u>
Subtotal	<u>40,344,275</u>	<u>41,531,830</u>	<u>2.94%</u>
Total Capital Assets	51,494,674	53,414,270	3.73%
Total Accumulated Depreciation	<u>(22,191,822)</u>	<u>(23,838,410)</u>	<u>7.42%</u>
Total Net Capital Assets	<u>\$ 29,302,852</u>	<u>\$ 29,575,860</u>	<u>0.93%</u>

The Road Commission reported the infrastructure and related assets during the current year in the amount of \$2,020,668 as follows:

Construction and Reconstruction of Bridges	\$ 80
Various Resurfacing Projects and Related Land/Right-of-Way	1,971,281
Road Equipment	39,562
Office Equipment	8,000
Engineers' Equipment	<u>1,745</u>
Total Additions	<u>\$2,020,668</u>

The infrastructure is financed through Federal, State and local contributions. There was one new installment purchase agreement entered into during 2005 in the amount of \$8,000; all the equipment acquired was with Road Commission funds. During 2005, the Road Commission traded in and/or disposed of equipment with a purchase amount of \$101,072, related depreciation of \$101,072, and net book value of \$0.

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

The Road Commission currently has long-term debt in the amount of \$962,900, a net decrease of \$374,824 from the prior year. The long-term debt represents Michigan Transportation Fund Notes Payable, bonds, ten lease-purchase agreements and compensated absences payable at December 31, 2005.

More detailed information about the Road Commission's long-term liabilities for vested employee benefits is presented in Note G to the financial statements.

Economic Factors and Next Year's Budget

The board of county road commissioners considered many factors when setting the fiscal year 2006 budget. One of the factors is the economy. The Road Commission derives approximately 64% of its revenue from the fuel tax collected in 2005. The recent economic downturn has resulted in less consumption of fuel and consequently less MTF tax to be distributed. The Road Commission received approximately 5% of its revenues from township contributions during 2005. This amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate.

During 2006, we expect to receive less money in Federal and State aid for road projects. The above items were considered when adopting the budget for 2006. The amount budgeted for revenues for 2005 is projected at \$4,932,443 and expenditures were budgeted for \$4,815,523.

The board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in Dickinson County's transportation system; therefore, the board attempts to spend the public's money wisely and equitably and in the best interest of the motoring public and the citizens of Dickinson County.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Dickinson County Road Commission's administrative office at: P.O. Box 519, Iron Mountain, MI, 49801.

DICKINSON COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS
December 31, 2005

EXHIBIT A

ASSETS

Cash	\$ 100,867
Accounts Receivable	
State--Trunkline Maintenance	77,151
Michigan Transportation Fund	445,537
State--Other	4,854
Due on County Road Agreements	34,927
Inventories	
Road Materials	190,952
Equipment Parts and Materials	79,122
Capital Assets (Net of Accumulated Depreciation)	<u>29,575,860</u>
Total Assets	<u>30,509,270</u>

LIABILITIES

Current Liabilities	
Accounts Payable	137,032
Due to State of Michigan	93,322
Accrued Liabilities	32,532
Driveway Snow Plowing Deposits	35,417
Noncurrent Liabilities	
Advance From State	133,003
Notes Payable--Due in One Year	120,000
Installment Purchase Agreements Payable--Due in One Year	250,645
Installment Purchase Agreements Payable--Due in More Than One Year	264,227
Vested Employee Benefits Payable	<u>328,028</u>
Total Liabilities	<u>1,394,206</u>

NET ASSETS

Investment in Capital Assets	
Net of Related Debt	28,940,988
Restricted	<u>174,076</u>
Total Net Assets	<u><u>\$ 29,115,064</u></u>

The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

EXHIBIT B

Program Expenses	
Primary Road--Routine and Preventive Maintenance	\$ 938,002
Local Road--Routine and Preventive Maintenance	818,589
State Trunkline Maintenance	518,256
Non-Motorized Trail	-
Private Driveway Plowing	3,748
Net Equipment Expense	19,650
Net Administrative Expense	306,711
Infrastructure Depreciation	1,436,067
Compensated Absences	(6,692)
Interest Expense	37,956
	<hr/>
Total Program Expenses	4,072,287
	<hr/>
Program Revenue	
Charges for Services	733,000
Operating Grants and Contributions	
Michigan Transportation Funds	2,848,128
Investment Earnings	7,060
Capital Grants and Contributions	
Federal Grants	353,663
State Grants	180,547
Contributions	216,014
	<hr/>
Total Program Revenue	4,338,412
	<hr/>
Net Program Revenue	266,125
	<hr/>
General Revenue	
Gain on Equipment Disposal	103,778
	<hr/>
Total General Revenues and Transfers In	103,778
	<hr/>
Change in Net Assets	369,903
	<hr/>
Net Assets	
Beginning of Year	28,745,161
	<hr/>
End of Year	\$29,115,064
	<hr/>

The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION
BALANCE SHEET
December 31, 2005

EXHIBIT C

	<u>GOVERNMENTAL FUND TYPE</u>
	General Operating Fund
<u>ASSETS</u>	
Cash	\$ 100,867
Due From State	527,542
Due From Townships	34,927
Inventories	
Road Materials	190,952
Equipment Parts and Materials	<u>79,122</u>
Total Assets	<u><u>\$ 933,410</u></u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Accounts Payable	\$ 137,032
Accrued Liabilities	32,532
Due to State	93,322
Advances	
Driveway Plowing	35,417
State	<u>133,003</u>
Total Liabilities	<u>431,306</u>
Fund Equities	
Fund Balance	
Inventory	270,074
Unreserved and Undesignated	<u>232,030</u>
Total Fund Equities	<u>502,104</u>
Total Liabilities and Fund Equities	<u><u>\$ 933,410</u></u>

The Notes to Financial Statements are an integral part of this statement.

**DICKINSON COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO
THE STATEMENT OF NET ASSETS
For the Year Ended December 31, 2005**

EXHIBIT D

Total Governmental Fund Balance	\$ 502,104
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Amounts reported for governmental activities in the Statement of Net Assets are
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,575,860
--	------------

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	<u>(962,900)</u>
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Net Assets of Governmental Activities	<u><u>\$29,115,064</u></u>
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The Notes to Financial Statements are an integral part of this statement.

**DICKINSON COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2005**

EXHIBIT E

	<u>Operating Fund</u>
Revenues	
Federal Aid	\$ 353,663
State Aid	3,028,675
Contributions From Local Units	216,014
Charges for Services	524,088
Interest and Rents	7,060
Other Revenue	<u>312,690</u>
Total Revenues	<u>4,442,190</u>
Expenditures	
Public Works	4,264,724
Capital Outlay	49,307
Debt Service	<u>414,088</u>
Total Expenditures	<u>4,728,119</u>
Excess of Revenues Over (Under) Expenditures	<u>(285,929)</u>
Other Financing Sources	
Proceeds From Lease Purchase	<u>8,000</u>
Total Other Financing Sources	<u>8,000</u>
Excess of Revenues and Other Financing Sources Over Expenditures	(277,929)
Fund Balance--January 1, 2005	<u>780,032</u>
Fund Balance--December 31, 2005	<u><u>\$ 502,104</u></u>

The Notes to Financial Statements are an integral part of this statement.

**DICKINSON COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005**

EXHIBIT F

Net Change in Fund Balance--Total Governmental Funds \$ (277,929)

Amounts reported for governmental activities in the statement are different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is the amount
by which capital outlays exceeded depreciation in the current period. 273,008
Equipment retirement is recorded as an expenditure credit in governmental
funds, but not recorded as an expense in the Statement of Activities.

Lease proceeds provide current financial resources to governmental funds,
but entering into lease agreements increases long-term liabilities in the 368,132
Statement of Net Assets. Repayment of notes/leases payable is an
expenditure in governmental funds, but reduces the long-term liabilities in the
Statement of Net Assets.

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as expenditures
in governmental funds. (Increase in compensated absences and decrease in
interest expense) 6,692

Change in Net Assets of Governmental Activities \$ 369,903

The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

The Dickinson County Road Commission, which is established pursuant to the County Road Law, Michigan Compiled Law (MCL) 224.1, is governed by a 3 member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt without the approval of the county board of commissioners; and property taxes would be levied under the taxing authority of the county, as approved by the county electors. If approval is granted, Road Commission taxes are levied under the taxing authority of the county, as approved by the county electors. The taxes would be included as part of the county's total tax levy as well as reported in the County Road Fund.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Dickinson County Road Commission, a discretely presented component unit of Dickinson County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Dickinson County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets-net of related debt or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expense are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

When both restricted and restricted resources are available for use, it is the Road Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customer or applicants for goods or services or privileges provided; (2) Michigan Transportation Funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan Transportation Funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

Inventories are priced at cost as determined on the average cost method. Inventory items are charged to road construction and equipment maintenance, and repairs and operations as used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by Dickinson County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Dickinson County Road Commission has capitalized the current year's infrastructure, as required by GASB Statement No. 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission has also retroactively capitalized the major infrastructure assets, as permitted by GASB Statement No. 34, which is included in the beginning balance of the net assets and capital asset.

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Operating Fund Statement of Net Assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Deferred Revenue

Deferred revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred.

NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the county road fund. Pursuant to the act, the Road Commission's chief fiscal officer (office manager) prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and, subsequently, adopts an operating budget. The board has authorized the chief fiscal officer to amend the Road Commission's budget when necessary, without increasing the overall budget, by transferring funds between expenditure cost centers. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--BALANCE SHEET CASH AND INVESTMENTS

MCL 129.91 authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has designated two banks for the deposit of Road Commission funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission's deposits and investments were reported in the basic financial statements in the following categories:

Bank Deposits (Checking and Savings	\$100,667
Accounts, Certificates of Deposit)	
Petty Cash and Cash on Hand	<u>200</u>
Total	<u><u>\$100,867</u></u>

The bank balance of the primary government's deposits is \$138,808, of which \$138,808 is covered by Federal depository insurance.

NOTE E--DEFERRED COMPENSATION PLAN

Some employees of the Dickinson County Road Commission are participants in a deferred compensation plan offered by the Dickinson County Board of Commissioners. The plan, created in accordance with the Internal Revenue Code, Section 457, is available to all Dickinson County employees and elected officials and permits them to defer a portion of their current salary until the employee's termination, retirement, death or unforeseeable emergency.

The plan is administered by the National Association of Counties (NACo) through the Public Employees' Benefit Services Corporation (PEBSCO). NACo, as plan administrator, agrees to hold harmless and indemnify the county, its appointed and elected officers and participating employees from any loss resulting from NACo or its agent's failure to perform its duties and services pursuant to the NACo Program.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE E--DEFERRED COMPENSATION PLAN (Continued)

Effective January 1, 1997, the assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account, and all other matters.

NOTE F--CAPITAL ASSETS

Following is a summary of the changes in capital assets:

	Account Balances 01/01/05	Additions	Deductions	Account Balances 12/31/05
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 205,915			\$ 205,915
Infrastructure Land Improvements	10,944,484	\$ 732,041		11,676,525
Subtotal	11,150,399	\$ 732,041	\$ -	11,882,440
Capital Assets Being Depreciated				
Buildings	1,499,423			1,499,423
Road Equipment	5,433,434	39,562	90,518	5,382,478
Shop Equipment	169,620			169,620
Office Equipment	76,589	8,000	10,554	74,035
Engineers' Equipment	53,347	1,745		55,092
Infrastructure--Bridges	3,071,367	80		3,071,447
Infrastructure--Roads	30,040,495	1,239,240		31,279,735
Total	40,344,275	1,288,627	101,072	41,531,830
Less Accumulated Depreciation				
Buildings	476,112	38,839		514,951
Road Equipment	4,618,578	260,765	90,518	4,788,825
Shop Equipment	93,878	12,195		106,073
Office Equipment	73,719	3,591	10,554	66,756
Engineers' Equipment	49,471	1,904		51,375
Infrastructure--Bridges	806,169	68,855		875,024
Infrastructure--Roads	16,073,895	1,361,511		17,435,406
Total	22,191,822	1,747,660	101,072	23,838,410
Net Capital Assets Being Depreciated	18,152,453	1,288,627	1,747,660	17,693,420
Total Net Capital Assets	\$29,302,852	\$2,020,668	\$1,747,660	\$29,575,860

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct Equipment	\$ 260,765
Indirect Equipment	52,938
Net Administrative Expense	
Office Equipment	3,591
Infrastructure Depreciation	<u>1,430,366</u>
Total Depreciation Expense	<u>\$1,747,660</u>

NOTE G--LONG-TERM DEBT

The changes in long-term debt of the Road Commission may be summarized as follows:

	Balance 01/01/05	Additions (Reductions)	Balance 12/31/05	Due in One Year
Equipment Lease--Purchase Agreements				
Caterpillar Financial Services				
June 2000 Lease	\$ 16,251	\$ (16,251)	-	
September 2002--Lease	39,636	(14,310)	\$ 25,326	\$ 14,967
September 2002--Lease	103,407	(36,133)	67,274	37,793
September 2002--Lease	119,429	(41,732)	77,697	43,649
November 2003--Lease	165,541	(40,772)	124,769	42,433
Deere Credit Services				
May 2002 Lease	68,973	(28,628)	40,345	30,018
Daimler Chrysler Services North America LLC				
May 2003--Lease	96,594	(27,632)	68,962	28,765
June 2003--Lease	113,553	(31,638)	81,915	32,934
First National Bank of Norway				
February 2001--Lease	17,816	(8,005)	9,811	8,378
February 2001--Lease	21,804	(10,208)	11,596	10,684
Canon Financial		8,000		
February 2005--Lease		(823)	7,177	1,024
Michigan Transportation Fund Notes Payable	240,000	(120,000)	120,000	120,000
Vested Employee Benefits				
Vacation Benefits	79,573	5,647	85,220	
Sick Leave Benefits	255,147	(12,339)	242,808	
Totals	<u>\$1,337,724</u>	<u>\$ (374,824)</u>	<u>\$962,900</u>	<u>\$370,645</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Equipment Lease-Purchase and Loan Agreements

The annual requirements to meet the monthly installment payments on various pieces of equipment acquired by lease-purchase or loan agreements are as follows:

September 2002 Lease-Purchase--Caterpillar D3 Dozer

Terms: 60 monthly installments of \$1,317 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/02	\$70,629	2006	\$ 14,967	\$ 833	\$ 15,800
		2007	<u>10,359</u>	<u>175</u>	<u>10,534</u>
			<u>\$25,326</u>	<u>\$ 1,008</u>	<u>\$ 26,334</u>

September 2002 Lease-Purchase--Caterpillar D6Dozer

Terms: 60 monthly installments of \$3,337 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/02	\$179,009	2006	\$ 37,793	\$ 2,254	\$ 40,047
		2007	<u>29,481</u>	<u>556</u>	<u>30,037</u>
			<u>\$ 67,274</u>	<u>\$ 2,810</u>	<u>\$ 70,084</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

September 2002 Lease-Purchase--Caterpillar 143H Motor Grader

Terms: 60 monthly installments of \$3,854 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/02	\$206,746	2006	\$43,649	\$2,603	\$46,252
		2007	<u>34,048</u>	<u>641</u>	<u>34,689</u>
			<u>\$77,697</u>	<u>\$3,244</u>	<u>\$80,941</u>

November 2003 Lease-Purchase--Caterpillar 972G Wheel Loader

Terms: 60 monthly installments of \$3,888 at 3.86% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
11/03	\$211,800	2006	\$ 42,433	\$ 4,219	\$ 46,652
		2007	44,162	2,490	46,652
		2008	<u>38,174</u>	<u>704</u>	<u>38,878</u>
			<u>\$124,769</u>	<u>\$ 7,413</u>	<u>\$132,182</u>

Deere Credit Leasing

May 2002 Lease-Purchase--John Deere 772CH Motor Grader

Terms: 60 monthly installments of \$2,607 at 4.75% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
05/02	\$ 139,000	2006	\$ 30,018	\$ 1,269	\$ 31,287
		2007	<u>10,327</u>	<u>102</u>	<u>10,429</u>
			<u>\$ 40,345</u>	<u>\$ 1,371</u>	<u>\$ 41,716</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Daimler Chrysler Services

May 2003 Lease-Purchase--Quad Axle Dump Truck

Terms: 60 monthly installments of \$2,584 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
05/03	\$140,723	2006	\$ 28,765	\$ 2,771	\$31,536
		2007	29,944	1,387	31,331
		2008	10,253	153	10,406
			<u>\$ 68,962</u>	<u>\$ 4,311</u>	<u>\$73,273</u>

May 2003 Lease-Purchase--Quad Axle Dump Truck

Terms: 60 monthly installments of \$2,969 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
06/03	\$161,658	2006	\$ 32,934	\$ 2,693	\$35,627
		2007	34,284	1,343	35,627
		2008	14,697	148	14,845
			<u>\$ 81,915</u>	<u>\$ 4,184</u>	<u>\$86,099</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

First National Bank of Norway

February 2004 Lease-Purchase--Chevrolet Silverado ¾ ton Truck

Terms: 36 monthly installments of \$721 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
02/04	\$24,214	2006	\$ 8,378	\$273	\$ 8,651
		2007	<u>1,433</u>	<u>8</u>	<u>1,441</u>
			<u>\$ 9,811</u>	<u>\$281</u>	<u>\$10,092</u>

February 2004 Lease-Purchase--Chevrolet Tahoe

Terms: 36 monthly installments of \$916 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
02/04	\$ 30,761	2006	\$10,684	\$307	\$10,991
		2007	<u>912</u>	<u>4</u>	<u>916</u>
			<u>\$11,596</u>	<u>\$311</u>	<u>\$11,907</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Canon Financial

February 2005 Lease-Purchase--Copy Machine

Terms: 60 monthly installments of \$2,969 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
02/05	\$ 8,000	2006	\$ 1,024	\$ 923	\$ 1,947
		2007	1,174	773	1,947
		2008	1,346	601	1,947
		2009	1,543	404	1,947
		2010	<u>2,090</u>	<u>24</u>	<u>2,114</u>
			<u>\$ 7,177</u>	<u>\$ 2,725</u>	<u>\$ 9,902</u>

Michigan Transportation Fund Notes Payable Series 2001

During 2001, Dickinson County Road Commission entered into Act 143 Michigan Transportation Fund Revenue Notes Payable for the purpose of constructing a garage in the amount of \$600,000 with interest ranging from 3.8% to 5.125%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
04/03/01	\$600,000	2006	<u>\$ 120,000</u>	<u>\$ 4,800</u>	<u>\$124,800</u>
			<u>\$ 120,000</u>	<u>\$ 4,800</u>	<u>\$124,800</u>

Vested Employee Vacation Benefits

Vacation benefits are earned monthly at various rates based on length of service. Each hourly (union) employee may accumulate a maximum of 240 hours of vacation time. Any authorized accumulation over the maximum 240 hours will be paid to an employee as a lump sum.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Employee Sick Leave Benefits

Each hourly (union) employee will be granted sick leave at the rate of 8 hours for each month of employment and shall be able to accumulate sick leave to a maximum 600 hours. Salaried employees may earn sick leave with no accumulation limit.

Accumulated sick leave benefits are paid in accordance with the following provisions:

1. Voluntary Termination--Salaried employees will be paid 50% of their accumulated sick leave, and hourly (union) employees will not be entitled to any payment for unused sick days.
2. Retirement or Death--For those hired prior to January 1, 1995, salaried and hourly (union) employees will be paid 100% of their accumulated sick leave, not to exceed 600 hours upon retirement, or in the case of death to the employee's beneficiary. For employees hired after January 1, 1995, they will be paid 100% of their accumulated sick leave, not to exceed 400 hours upon retirement, or in the case of death to the employee's beneficiary.

NOTE H--EMPLOYEES' RETIREMENT SYSTEM

Plan Description

Description of Plan and Plan Assets

The Dickinson County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851; MCL 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way Street, Lansing, Michigan 48917.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE H--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Funding Policy

Members of the employee's group do not contribute any annual compensation. One member of the Road Commissioner's group contributes 3% of the first \$4,200 and 5% of his annual compensation in excess of \$4,200. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy. The Road Commission is required to contribute at an actuarially determined rate; the rate for the year ended December 31, 2004 was 12.59% and 7.00% of covered payroll for the General-Other and General-Road Commission Groups.

Annual Pension Cost

During the calendar year ended December 31, 2004, the Road Commission's contributions totaling \$170,605 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002. The employee contribution of \$90 was also paid by one employee, in accordance with the contribution requirements. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$ 160,164	100%	\$0
2003	168,652	100%	\$0
2004	170,605	100%	\$0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/02	\$ 4,902,390	\$ 6,092,424	\$ 1,190,034	80%	\$ 1,418,046	84%
12/31/03	5,164,685	6,550,361	1,385,676	79%	1,317,501	105%
12/31/04	5,320,699	6,955,360	1,634,661	76%	1,341,558	122%

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--POST-EMPLOYMENT BENEFITS

Health Care Insurance Benefits

In addition to the pension benefits described in Note H, the Dickinson County Road Commission provides post-employment health care insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement, which includes the following provision:

"A retiree plan which excludes the Drug Rider will be provided to the retiree and his/her dependents for three (3) years following retirement. After three (3) years, the employer will pay towards the retiree's premium only, in the amount equivalent to the complimentary plan for five (5) years."

In accordance with the working agreement of salaried employees with the Dickinson County Road Commission, salaried employees upon retirement are entitled to the same plan that they had while employed, except for the Drug Rider, until death and spouse to age 70, with the total cost of the plan paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2005, 12 retirees were eligible for this benefit at a total cost of approximately \$128,778.

Life Insurance

Salaried employees, upon retirement, are entitled to \$5,000 of life insurance with the premium paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2005, 4 retirees were eligible for this benefit at a total cost of approximately \$192.

NOTE J--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE J--RISK MANAGEMENT (Continued)

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Dickinson County Road Commission became a member of the Pool for liability and property coverage in 1991 and for workers' compensation coverage in 1993.

The Pool program operates as a common risk-sharing management program for road commissions in Michigan, member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE K--GUST K. NEWBERG CHARITABLE TRUSTS

The Dickinson County Road Commission has been named as a 15% beneficiary in the \$5,000,000 "Gust K. Newberg Charitable Trust." The trust agreement provides for named trustees to hold, invest and reinvest the corpus of the trust and collect and receive the income, thereof, and distribute the net income, thereof, to the beneficiaries at least annually.

In 2005, the Road Commission received four quarterly distributions of trust income for the period September 1, 2004 to October 31, 2005. The Road Commission's policy is to record revenues from the trust on the cash basis, which was \$33,437 during 2005.

In addition to the above trust provisions, Mr. Newberg also provided that upon the death of his wife, Penny M. Newberg, there should be paid out of the trust, created for Mrs. Newberg, a sum of \$500,000 to the Dickinson County Road Commission.

NOTE L--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2005, the Federal aid received and expended by the Road Commission was \$299,792 for contracted projects and \$53,871 for one negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission. Since the negotiated expenditures were under \$500,000, a single audit was not required.

**DICKINSON COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2005**

EXHIBIT G

	Original Amended Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Federal Aid				
Surface Transportation Program	\$ 450,400	\$ 198,984	\$ 198,986	\$ 2
Highway Bridge Replacement	-	200	200	-
Economic Development D Funds	212,000	154,477	154,477	-
Enhancement	200,000			-
State Aid				
Michigan Transportation				
Engineering	10,000	10,000	10,000	-
Primary Road	2,009,523	1,918,430	1,918,430	-
Local Road	718,491	667,125	714,678	47,553
Primary Urban Road	103,964	177,684	130,132	(47,552)
Local Urban Road	53,893	60,380	60,381	1
Snow Removal	13,200	14,506	14,507	1
Highway Bridge Replacement	-	37	37	-
Economic Development				
Rural Primary (D)	53,000	74,897	74,898	1
Forest Funds (E)	122,902	122,902	122,900	(2)
Urban Area (F)	-	(17,288)	(17,288)	-
Contributions--Local Units				
Townships	198,316	216,012	216,014	2
Charges for Services				
State Trunkline Maintenance	570,000	496,864	496,864	-
State Trunkline Non-Maintenance	15,000	21,395	21,395	-
Private Drive Snow Removal	8,000	3,747	3,748	1
Salvage Sales	1,500	2,080	2,081	1
Interest and Rents				
Interest Earned	4,000	5,313	5,314	1
Rent and Royalty	-	1,745	1,746	1
Other Revenue				
Contribution From Private Sources	61,047	208,912	208,912	-
Gain on Equipment Disposals	-	103,777	103,778	1
Total Operating Revenue	4,805,236	4,442,179	4,442,190	11
Other Financing Sources				
Proceeds From Installment Purchase Agreement	335,000	8,000	8,000	-
Total Other Financing Sources	335,000	8,000	8,000	-
Total Operating Revenue and Other Financing Sources	5,140,236	4,450,179	<u>\$ 4,450,190</u>	<u>\$ 11</u>
Fund Balance--January 1, 2005	780,033	780,033		
Total Budget	<u>\$ 5,920,269</u>	<u>\$ 5,230,212</u>		

The Notes to Financial Statements are an integral part of this statement

DICKINSON COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2005

EXHIBIT H

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Construction/Capacity Improvements	\$ 250,000	\$ 1,725	\$ 1,724	\$ 1
Preservation/Structural Improvements	683,701	997,630	997,601	29
Routine and Preventive Maintenance	950,000	936,705	936,700	5
Local Road				
Construction/Capacity Improvements	138,000	160,286	160,285	1
Preservation/Structural Improvements	410,723	810,901	810,847	54
Routine and Preventive Maintenance	1,000,000	804,805	804,800	5
Primary Road Structure				
Preservation/Structural Improvements	2,000	-	-	-
Routine and Preventive Maintenance	2,000	1,304	1,302	2
Local Road Structure				
Preservation/Structural Improvements	2,000	904	904	-
Routine and Preventive Maintenance	2,000	13,792	13,789	3
State Trunkline Maintenance	520,000	496,875	496,870	5
State Trunkline Non-Maintenance	20,000	21,400	21,386	14
Non Road Project	2,000	-	-	-
Private Snow Plowing	5,000	3,760	3,748	12
Equipment Expense--Net	(390,000)	19,663		
Direct			\$ 790,691	
Indirect			323,238	
Operating			260,254	
Less: Equipment Rentals			(1,354,533)	13
Distributive Expense	1,293,407	-		-
Administrative Expense--Net	274,750	306,716		
Administrative Expense			362,596	
Less: Handling Charges			-	
Overhead--State			(52,982)	
Overhead--Other			(2,726)	
Purchase Discounts			(177)	5
Capital Outlay--Net	(19,050)	(262,286)		
Capital Outlay			49,307	
Less: Depreciation Credits			(311,593)	
Equipment Retirements			-	-
Debt Service				
Principal Payments	408,455	376,132	376,132	-
Interest Expense	46,156	37,957	37,956	1
Total Expenditures	5,601,142	4,728,269	\$ 4,728,119	\$ 150
Fund Balance--December 31, 2005	319,127	501,943		
Total Budget	\$ 5,920,269	\$ 5,230,212		

The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION
ANALYSIS OF CHANGES IN FUND BALANCES
For the Year Ended December 31, 2005

EXHIBIT I

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$2,418,378	\$1,338,163	\$ 685,649	\$ 4,442,190
Total Expenditures	2,192,391	1,946,229	589,499	4,728,119
Excess of Revenues Over (Under) Expenditures	225,987	(608,066)	96,150	(285,929)
Other Financing Sources (Uses)				
Proceeds From Lease Purchase	8,000			8,000
Optional Transfers	(616,759)	616,759		-
Total Other Financing Sources (Uses)	(608,759)	616,759	-	8,000
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	(382,771)	8,693	96,150	(277,929)
Fund Balance--January 1, 2005	824,836	-	(44,803)	780,032
Fund Balance--December 31, 2005	\$ 442,064	\$ 8,693	\$ 51,347	\$ 502,104

DICKINSON COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES
For the Year Ended December 31, 2005

EXHIBIT J

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Federal Aid				
Surface Transportation Program	\$ 145,115	\$ 53,871		\$ 198,986
Economic Development D Funds	154,477			154,477
High Priority		-		-
Highway Bridge Replacement	-	200		200
State Aid				
Michigan Transportation				
Engineering	7,300	\$ 2,700		10,000
Allocation	1,918,430	714,678		2,633,108
Urban	130,132	60,381		190,513
Snow Removal		14,507		14,507
Highway Bridge Replacement	-	37		37
Economic Development				
Rural Primary (D)	74,898			74,898
Forest (E)		122,900		122,900
Urban Area (F)	(17,288)			(17,288)
Contributions--Local Units				
Townships		216,014		216,014
Charges for Services				
State Trunkline Maintenance			\$ 496,864	496,864
State Trunkline Non-Maintenance			21,395	21,395
Private Drive Snow Removal			3,748	3,748
Salvage Sales			2,081	2,081
Interest and Rents				
Interest Earned	5,314		-	5,314
Rents and Royalty			1,746	1,746
Other Revenue				
Contribution From Private Sources		152,875	56,037	208,912
Gain on Equipment Disposal	-		103,778	103,778
Total Operating Revenue	2,418,378	1,338,163	685,649	4,442,190
Other Financing Sources				
Proceeds From Lease Installment	8,000			8,000
County Appropriation			-	-
Total Other Financing Sources	8,000	-	-	8,000
Total Revenue and Other Financing Sources	\$ 2,426,378	\$ 1,338,163	\$ 685,649	\$ 4,450,190

DICKINSON COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES
For the Year Ended December 31, 2005

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Construction/Capacity Improvements	\$ 1,724			\$ 1,724
Preservation/Structural Improvements	997,601			997,601
Routine and Preventive Maintenance	936,700			936,700
Local Road				
Construction/Capacity Improvements		\$ 160,285		160,285
Preservation/Structural Improvements		810,847		810,847
Routine and Preventive Maintenance		804,800		804,800
Primary Road Structures				
Routine and Preventive Maintenance	1,302			1,302
Local Road Structures				
Preservation/Structural Improvements		904		904
Routine and Preventive Maintenance		13,789		13,789
State Trunkline Maintenance			\$ 496,870	496,870
State Trunkline Non-Maintenance			21,386	21,386
Private Snow Plowing			3,748	3,748
Equipment Expense--Net (Per Exhibit H)	7,993	8,284	3,373	19,650
Administrative Expense--Net (Per Exhibit H)	159,391	147,320		306,711
Capital Outlay--Net (Per Exhibit H)	(60,658)		(201,628)	(262,286)
Debt Service				
Principal Payments	120,823		255,309	376,132
Interest Payments	27,515		10,441	37,956
Total Expenditures	\$ 2,192,391	\$ 1,946,229	\$ 589,499	\$ 4,728,119



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

June 14, 2006

Dickinson County Road Commission
Board of County Road Commissioners
1107 South Milwaukee Avenue
P.O. Box 519
Iron Mountain, Michigan 49801

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of the Dickinson County Road Commission, a component unit of Dickinson County, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered the Dickinson County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters--As part of obtaining reasonable assurance about whether the Dickinson County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such

an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Dickinson County Board of Road Commissioners, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division